

Message Text

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SUBJECT: RESTRICTIVE FOREIGN AIRLINE PRACTICES

REF: A-4134, MAY 11, 1973; STATE 144455

SUMMAR: ROC CONCESSIONS TO ITS NATIONAL CARRIER, CHINA AIRLINES (CAL, SEEM INEVITABLE AND WELL WITHIN NORMAL LIMITS. ATTENDANT DISADVANTAGE US AND OTHER FOREIGN AIRLINES FACE IS LARGELY IN AREA OF PROFIT REPATRIATION, CARGO RATE DISCOUNTING, AND THE PROVISION OF AIRPORT SERVICES BY OFFICIAL AIRPORT SERVICE COMPANY. END SUMMARY.

1. IN LETTER OF MAY 2 CAB ASKED AIR TRANSPORT ASSOCIATION (ATA) TO OBTAIN CARRIER ASSISTANCE IN GATHERING INFORMATION ON CURRENT PRACTICES ABROAD WHICH AFFECT US CARRIERS' ACCESS TO FOREIGN MARKETS. CAB IN ATA LETTER IDENTIFIED LIST OF DISCRIMINATORY PRACTICES WHICH WERE REPEATED IN REFERENCE AIRGRAM. US CARRIERS OPERATING IN ROC RESPONDED TO SURVEY AS FOLLOWS:

A. US CARRIERS UNABLE ACCEPT NT CURRENCY FOR SHIPMENTS LICENSED FOR EXPORT ON FOB BASIS TAIWAN. REMITTANCE OF CURRENCY ONLY AUTHORIZED FOR SHIPMENTS LICENSED FOR EXPORT FOB THE US. THUS, US CARRIERS OPERATE AT DISADVANTAGE BECAUSE COMPANY REQUIREMENT TO REMIT TO US EARNINGS IN EXCESS OF EXPENSES RUNS HEAD-ON INTO LIMIT OF AMOUNT OF NON-LICENSED NT CURRENCY THEY CAN ACCEPT. CAL WITH LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NO NEED TO REMIT PROCEEDS CAN ACCEPT UNLIMITED SHIPMENTS FOB TAIWAN. US CARRIERS HAVE REQUESTED MODIFICATION OF GRC CURRENCY CONVERSION REGULATIONS TO ALLOW REMITTANCE OF CURRENCY ON DHSIPMENTS WHICH

ARE LICENSED FOR EXPORT FOB TAIWAN. DETAILED DOCUMENTATION OF EACH TRANSACTION TO COVERT NT CURRENCY TO REMITTABLE US DOLLARS IS FURTHER SIGNIFICANT BARRIER TO WHICH CAL NOT SUBJECTED.

B. TASCO (TAIWAN AIRPORT SERVICES COMPANY), CLOSELY AFFILIATED WITH CAL, IS ONLY AUTHORIZED SUPPORT FACILITY IN TERMINAL. DESPITE NWA PROVIDING OWN \$150,000 TRACTOR AND SPECIALLY TRAINED COMPANY PERSONNEL TO PUSH-OUT ITS 747S FROM TERMINAL RAMP, TASCO DOES NOT PERMIT NW PERSONNEL TO OPERATE EQUIPMENT, BUT PROVIDES ITS OWN OPERATOR, AND CHARGES NWO FOR SERVICES.

C. CAL EXERCISES CONSIDERABLE FLEXIBILITY IN GRANTING CONCESSIONS ON CARGO RATES. REGULAR AGENT COMMISSION WHICH ALL AIRLINES IN ROC PAY IS 7PERCENT ON PASSENGERS AND 5 PERCENT ON CARGO. CAL GRANTS ADDITIONAL 10 PERCENT DISCOUNT ON INDIVIDUAL BASIS FOR BIG SHIPMENTS, BOTH INBOUND AND OUTBOUND, AND FOR YEAR-RUNNING BIG SHIPPERS, GRANTS AS HIGH AS 150 PERCENT ADDITIONAL COMMISSION.

D. GOVERNMENT EMPLOYEES ARE REQUIRED TO FLY THE NATIONAL AIRLINE AT SUSPECTED DISCOUNTED COST TO GRC. THOUGH WE ARE UNABLE TO DOCUMENT IT FULLY, CAL CLEARLY EXERCISES WIDE-RANGING FLEXIBILITY IN SALES PRACTICES, REBATING, CHARTERING AND OVERRIDE COMMISSIONS. THESE CONCESSIONS, HOWEVER, ARE NOT LIMITED TO ROC NATIONAL AND ARE GENERALLY PRACTICED BY OTHER FOREIGN, NON-US CARRIER HERE

3. US CARRIERS SAY THERE IS NO EVIDENCE THAT CAL GETS ANY ADVANTAGE FROM OR THAT GRC ENGAGES IN THE ROUND. DISCRIMINATORY PRACTICES NOTED IN REF AIRGRAM. APART FROM CURRENCY CONVERSION PROBLEM, DISADVANTAGE OF US CARRIERS VIS-A-VIS THEIR COMPETITORS HERE STEMS FROM THEIR GENERAL TENDENCY TO COMPLY WITH IATA RATE STRUCTURES AND OTHER TERMS OF THE AGREEMENT AND FROM THE FLEXIBILITY OTHER CARRIERS ENJOY AS THEY APPLY LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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COMPANY POLICY TO LOCAL COMPETITIVE MARKET.
MCCONAUGHY

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